

COUNTY OF SAN BERNARDINO,

CALIFORNIA

**SINGLE AUDIT
MANAGEMENT LETTER**

JUNE 30, 2006



March 16, 2007

Board of Supervisors
County of San Bernardino
San Bernardino, CA

Ladies and Gentlemen:

We have audited the compliance of the County of San Bernardino, California (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006 and have issued our report thereon dated March 16, 2007. In planning and performing our audit, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion that the County has complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

CURRENT YEAR MANAGEMENT LETTER COMMENTS

SPECIAL SUPPLEMENTAL NUTRITION FOR WOMEN, INFANT & CHILDREN (WIC) CFDA # 10.557

ELIGIBILITY

OBSERVATION:

While performing testing over the internal controls over eligibility determinations of program participants; it was noted that the department was unable to provide us with eligibility (hard copy evidence) documentation for three participants from the list of participants that were chosen for testing. Through inquiry of management VTD was notified that the files do exist, but they have been misplaced. VTD noted that a log is kept at each site, which is used to write the name of the clients, date and reason for their visit.

RECOMMENDATION:

Given that procedures exist on how to file the clients' information (documents) collected/prepared on daily visits at each site; we recommend that at the end of the day a designated person (Department Head/Supervisor) at each site ensures that each of the clients' information (eligibility documents) are in the daily folder/file that is used to store such eligibly information.

CURRENT YEAR MANAGEMENT LETTER COMMENTS, Continued

MANAGEMENT'S RESPONSE:

We estimate that the amount of time required on a daily basis to perform the recommended review of all client documents in the daily file folder would be significant and ultimately not feasible. We would like to propose instead a change to our current procedure that would improve both our ability to retrieve any given client file and ensure that client records are complete.

Specifically, we are proposing that our client files, namely our "Disqualification" and "Ineligibles", will be maintained separately at each WIC site for a 3 year period and then destroyed per WIC Program Manual record retention guidelines. Compared to our current procedure of sending all of our client files to a central storage area, we believe that this change will increase our ability to more easily retrieve requested files. In addition, we are proposing for improved quality assurance, that WIC Team Leaders/Site Supervisors will regularly conduct random reviews of all employee's daily client file folders to ensure accuracy and completion. These modifications would be made to our written procedures and all WIC staff would receive training regarding these changes.

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT CFDA #93.959

REPORTING/ALLOWABLE COSTS & ACTIVITIES

OBSERVATION:

The Alcohol and Drug Services Department which is within Behavioral Health Department, has a fiscal unit whose practice is to accumulate costs to be included into the Annual Cost Report (ACR) through the use of spreadsheets populated manually each instance a payment is made to subrecipients. In addition, information is retrieved from their Financial Accounting System (FAS) for all direct County costs.

During our review and test of controls over Reporting and Allowable Costs it was noted that while costs are closely tracked and monitored for inclusion in the ACR, it was noted that a year-end reconciliation had not been performed of the total costs per their FAS to the ACR, as of February 2007.

RECOMMENDATION:

We recommend that a procedure be implemented to facilitate the timely reconciliation of costs per FAS to the Cost Report.

MANAGEMENT'S RESPONSE:

DBH does have a reconciliation process. However it is not a written procedure. Lack in staffing resources caused the completion of the reconciliation to be postponed. DBH will put a procedure in place which will include a mechanism to ensure timely completion of the reconciliation.

CURRENT YEAR MANAGEMENT LETTER COMMENTS, Continued

CHILD SUPPORT ENFORCEMENT CFDA # 93.563

ALLOWABLE COSTS AND ACTIVITIES

OBSERVATION:

In accordance with the *March 2006 OMB Circular A-133 Compliance Supplement*, Federal awards are to be expended only for allowable activities and that the costs of goods and services charged to Federal awards be allowable in accordance with the applicable cost principles.

During testing of payroll costs it was noted that as a matter of standard practice, the County's Department of Child Support Services does not reconcile payroll registers to amounts recorded in their Financial Accounting System (FAS) to ensure amounts recorded accurately represent costs specific to their program.

RECOMMENDATION:

We recommend that the Department periodically perform a reconciliation to ensure that the payroll posting performed by the county payroll processing unit is accurate and complete.

MANAGEMENT'S RESPONSE:

As of March 12, 2007, the department initiated a practice of requiring the staff from Administrative Services to reconcile payroll registers to the Financial Accounting System (FAS) on a biweekly basis. This task is currently assigned to the Accountant II with supervisory oversight from the Administrative Services Supervisor.

CHILD SUPPORT ENFORCEMENT CFDA # 93.563

REPORTING

OBSERVATION:

REPORTING

In accordance with the Plan of Cooperation between the County and the State Department of Child Support Services, the County is required to submit Form CS34-Monthly Report of Collections and Distributions and CS35- Assistance Related Distribution/Disbursement Summary Report. These are due by the 15th of each calendar month for the previous month. During our review of reporting requirements we noted two monthly reports, the August CS34 and CS35, were not submitted to the State until September 27, 2005.

RECOMMENDATION:

We recommend that the County ensure that established procedures regarding reporting are consistently followed to ensure the timely submittal of all reports.

MANAGEMENT'S RESPONSE:

As of March 12, 2007, the Department initiated a practice of requiring the Operations Manager of the State Disbursement Team to notify the Director when there are issues with reconciling the CS34/35. The Director will determine if an extension is needed and contact Linda Adams, Chief of the Financial Planning Branch at the State Department of Child Support Services, as appropriate.

STATUS OF PRIOR YEAR MANAGEMENT LETTER COMMENTS

MENTAL HEALTH SERVICES BLOCK GRANT – CFDA NO. 93.958

ALLOWABLE COST/ALLOWABLE ACTIVITIES

OBSERVATION:

Of the 21 sub-recipient payments tested, we noted that three of the Request for Reimbursements prepared by the program coordinator had adjustments made to the sub-recipients reimbursement claim but had no explanation or support for the adjustment. Further inquiry concluded that adjustments are made due to errors reported for patient discharge dates. Program Managers make the adjustment and call the sub-recipient to notify them of the adjustment to their monthly claim. However, based on our review of payment detail, no documentary evidence exists to support claim adjustments, nor is any documentation supporting the adjustments attached to the Request for Reimbursement prior to submittal to fiscal services for processing.

RECOMMENDATION:

We recommend that the County implement procedures to ensure any adjustments made by Program Coordinators to a providers' reimbursement claim is properly documented. In addition, this documentation should be included with the Request for Reimbursement submitted to fiscal services.

STATUS:

Implemented

MENTAL HEALTH SERVICES BLOCK GRANT – CFDA NO. 93.958

REPORTING

OBSERVATION:

While performing testing over the internal controls over reporting, it was noted the Department did not submit the 3 out of 4 quarterly reports on a timely basis. It is noted the State granted several extensions to the Department. However, it does not appear the Department's internal controls in place are not working effectively to ensure the timely submittal of the grant's quarterly reports.

RECOMMENDATION:

We recommend that the Department implement stronger internal controls to ensure that the quarterly reports are submitted the State on a timely basis. This will help ensure compliance with state and federal requirements related to reporting.

STATUS:

Implemented

STATUS OF PRIOR YEAR MANAGEMENT LETTER COMMENTS, Continued

AIRPORT IMPROVEMENT PROGRAM

DAVIS-BACON ACT

OBSERVATION:

While performing testing of internal controls over Davis-Bacon Compliance, we noted that the County project managers do not sign-off on certified payroll records as evidence of their review.

RECOMMENDATION:

We recommend that project managers sign off on each certified payroll record, indicating that it has been reviewed. This will provide proper documentation that the County is monitoring contractor compliance with the Davis-Bacon compliance.

STATUS:

Implemented

AGING CLUSTER

SUBRECIPIENT MONITORING

OBSERVATION:

While performing testing over the internal controls over subrecipient monitoring, it was noted that no formal process is in place to follow-up on single audit findings, monitoring visit findings and corrective action plans. The department has a "Monitoring & Audit resolution summary" log in place to track monitoring visits and single audit reports, however it does not track if subrecipients responded to the findings issued and if a corrective action plan was submitted and implemented. Auditor noted no formal procedure in place to track program findings for Title III-C1/C2. Auditor also noted that not all analyst assigned to the aging grants were clear as to what the process is if a subrecipient has a single audit finding relating to the grant.

RECOMMENDATION:

We recommend that a tracking system be implemented to track findings and corrective action plans to ensure subrecipients submit and implement corrective action plans on a timely basis to ensure compliance with State and Federal regulations. We also recommend all program staff (fiscal and program analyst) be provided with the audit resolution procedures currently in place.

STATUS:

Implemented

PRIOR YEAR MANAGEMENT LETTER COMMENTS, Continued

STATE HOMELAND SECURITY GRANT PROGRAM

SUBRECIPIENT MONITORING

OBSERVATION:

As a result of our subrecipient test work, we noted the County does not perform periodic site visits to ensure the existence of purchased equipment, and the County did not adequately communicate to each subrecipient applicable federal award information and compliance requirements. In addition, we noted the County did not perform review of each sub recipients procurement policies to ascertain compliance with federal procurement policies in accordance with the State Homeland Security Grant Program Guide.

RECOMMENDATION:

We recommend that the County establish and enforce policies and procedures for the monitoring of sub recipients. In addition, we recommend that the County conduct periodic field visits in order to verify compliance with federal requirements. In addition, we recommend the County establish a contract between the County and the sub recipients in order to communicate the federal award information and federal compliance requirements as prescribed in OMB Circular A-133. The County must review the sub recipient's procurement policies to ascertain compliance with federal requirements.

STATUS:

Not implemented.

STATE HOMELAND SECURITY GRANT PROGRAM

EQUIPMENT AND REAL PROPERTY MANAGEMENT

OBSERVATION:

In performing compliance testwork over equipment management, it is noted the County's official capital asset records do not include the location and percentage of Federal participation in the cost of the equipment. Further, it is noted the County does not consistently affix a property tag to each equipment item greater than \$5,000. During a physical inspection of current year equipment purchases, 4 out of 15 purchased sampled did not have a County fixed asset tag number attached.

RECOMMENDATION:

We recommend that the County implement policies and procedures to ensure assets are immediately tagged upon receipt and that assets purchased with federal funds are properly identified and tracked in the capital assets system in accordance with Federal requirements.

STATUS:

Not implemented.

PRIOR YEAR MANAGEMENT LETTER COMMENTS, Continued

STATE HOMELAND SECURITY GRANT PROGRAM

CASH MANAGEMENT

OBSERVATION:

While performing testwork over the County's drawdown requests, we noted no policies or procedures existed to ensure the accuracy and completeness of each drawdown request. As a result, the County could not provide adequate documentation to support each individual drawdown request submitted to the State in FY 2004-2005. However, the County was able to materially reconcile paid expenditures incurred prior to the receipt of reimbursement revenue recorded in the County's financial accounting system.

RECOMMENDATION:

We recommend that the County implement policies and procedures to ensure the accuracy and completeness of each drawdown request submitted to the State. Internal controls should include proper supervision and review of each drawdown request and proper segregation of duties between those who prepare the drawdown requests and those reviewing and submitting them to the State.

STATUS:

Not implemented.

Our audit procedures are designed primarily to enable us to form an opinion on the County's compliance with the requirements that are applicable to each of its major federal programs for the year ended June 30, 2006, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the County gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended solely for the information and use of the Board of Supervisors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Vavreck, Trine, Day, Co., LLP

Rancho Cucamonga, California
March 16, 2007